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"Information Boutiques"— Intelligence for a Price

Former government agents, academics are striking gold by selling guidance about foreign developments to business.

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A few years ago, an ex-CIA agent walked into the headquarters of Security Pacific Bank in Los Angeles and said his new company could provide useful information. He knew, for example, that Spanish officials were lying about their country's inflation rate. "I was amazed," recalls Richard Kjeldsen, the bank's international economist. "I thought he would be talking about people running around with Molotov cocktails—not economic affairs."

Now, such visits are commonplace as former State Department officials, academics and espionage agents, plus business executives with international connections, sell their expensive insights into the twists and turns of foreign economic and political events.

For companies needing guidance about foreign lands, there is no lack of sources—

- A dozen large corporations pay \$2,000 a month for Oxford Analytica, an Oxford, England, service that issues electronically a daily news analysis.

- InterMatrix Group of Westport, Conn., charges \$400,000 a year for a data-base service giving in-depth assessments of specific issues and countries.

- For something over \$100,000 a year, Henry Kissinger will explain nu-

ances of international affairs to corporate chieftains. His firm cloaks itself in mystery—the door to its Manhattan offices says merely "Suite 1100."

In Washington, a multitude of one-time Central Intelligence Agency directors and operatives have formed similar companies. Former CIA Director William Colby spends part of his time working for International Business-Government Counsellors, Inc. Richard Helms, another ex-director, advises clients such as the Bechtel Group on Mideast security matters. Andrew Falkiewicz, once

assistant director of the CIA under George Bush, runs a company called Dunedin Corporation with five former CIA analysts.

Alexander Haig, former Secretary of State, likewise trades his knowledge of foreign leaders for a fee, as do many lesser ex-State Department officials.

Cox, Lloyd Associates, a New York research house, estimates that businesses in 1984 spent 3 billion dollars on news and information—a figure that increases about 10 percent each year. Though the bulk of that money goes for conventional news and financial-information services, Connie Cox, president, notes that scores of "information boutiques" with revenues of less than 2 million dollars now offer what could be described as private intelligence. Observes Cox: "It's enough to keep a number of people living comfortably."

What information is worth that kind of money? A Long Beach, Calif., organization called Business Environment Risk Information predicted in December of 1980 that President Anwar Sadat of Egypt would be assassinated within a year or two. Ten months later, the prediction came true.

BERI also forecast an Iraqi invasion of Iran nine months before it occurred. Yet it said India's Prime Minister Indira Gandhi stood only a 10 percent chance of assassination—adding that if she were killed, a military takeover would ensue. Gandhi was later murdered, and there was no military coup. BERI charges \$144 a year for a newsletter and \$400 per country for specific reports.

Humble pie. Dunedin Corporation correctly forecast the results of local West German elections that led to the victory of Chancellor Helmut Kohl in

1982. Bank clients of Dunedin were interested in local elections because of business dealings at those levels. But Dunedin did not expect Mikhail Gorbachev to take over the Kremlin leadership. "Despite the fact that we spend a lot of time dealing with the U.S.S.R., I am humble in our ability to predict things that come out of the Politburo," says Falkiewicz, who served in the Foreign Service in Moscow.

Kissinger gave Merck & Company advice that France under François Mitterrand would be tough on foreign businesses. At that time, the Rahway, N.J., drug firm was considering a substantial investment there. Despite Kissinger's warning, says William Van Buren, vice president and secretary of Merck, "we decided it warranted additional private investment."

Sometimes, these information services wield too broad a brush for their clients. James Bisch, a senior vice president of Chase Manhattan Bank, says he would like Oxford Analytica to focus more on the business ramifications of its reports. But, in general, "we're quite satisfied," he adds.

Though former CIA and State Department people abound in these organizations, they disclaim use of clandestine methods to gather information, or reliance upon contacts at Langley or Foggy Bottom. "If asked," says Thomas Bolle of Dunedin, "we tell clients we are not a conduit for confidential information." He says that Dunedin relies on the experience of senior associates "who have spent a lot of time in their specific areas of responsibility."

Kissinger obtains insights from his continual global travels and friendships with influential figures. Others such as InterMatrix have local contacts they query for analyses.

Timing a key. Corporations pay well for information though it may be available for 50 cents—the cost of a business newspaper. Timing is one reason. Many services claim to have contacts inside governments. They say they can alert clients to events before they become public. "Since day one," says Walter Wriston, former Citicorp chairman, "people have wanted to know something first, whether it's a crop failure in Argentina or the amount of money the Treasury is going to raise." Citicorp is often solicited by private intelligence experts but relies on its own staff abroad.

Yet many businesses do need guidance on unfamiliar topics or nations. Daniel Sharp, director of international relations at Xerox, says the appeal of information-consulting services is that they help his company follow the business environment abroad. A good ser-

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Ex-CIA official Andrew Falkiewicz now sells intelligence to businesses.

vice, Sharp says, plugs into resident experts who make subtle judgments about trends and events.

A Munich-based asset manager, Unicorn G International, has its own group of 90 "stringers" who provide it with intelligence. Unicorn, for example, is tracking 47 separate wars and violent conflicts. "There is such an overwhelming amount of information out there," says Walter Peters, the chairman, "that we built these sets of filters so we would not suffer from information pollution."

One recent piece of intelligence told Peters that former Japanese Premier Kakuei Tanaka's illness was more serious than reported. Peters decided that Prime Minister Yasuhiro Nakasone, who counts on Tanaka for advice, would be in trouble and sold his clients' investments in Japan before the Tokyo stock market took a tumble.

Kjeldsen at Security Pacific says outside services provide political insights missed by his own economics department. "You need the broadest base of information possible so you can attack a problem from every angle," insists Kjeldsen.

That is what many services claim to provide. "What we are doing," says Paul Sacks, head of Multinational Strategies Group, Inc., "is acting as a translator or analyst of the meaning of events."

Former Under Secretary of State Lawrence Eagleburger of Kissinger Associates says: "Very large companies often use us as a double check on what their staff is doing. In addition, Henry

and I have a broad acquaintance with the movers and shakers of the world and how they are likely to approach any issue."

Major league. Kissinger's firm has hired some of Washington's heavy hitters, including Eagleburger and Brent Scowcroft, national-security adviser to President Ford. Kissinger's board of directors, which helps attract new customers, includes former Treasury Secretary William Simon and William D. Rogers, once under secretary of state.

One of Kissinger's competitors is a former aide, David Young, who was so impressed with the daily briefing President Nixon received that he set out to do "for the private sector what we did for the President."

Young, who founded Oxford Analytica last fall, taps Oxford University's prime asset—its teaching staff—to provide analyses ranging from the pricing strategy of the Organization of Petroleum Exporting Countries to elections in India to the future direction of the deutsche mark.

"What's marvelous about this," he says, "is that out of this historic back street comes this modern product beamed by satellite to subscribers all over the globe." Each day, three of Oxford's dons write a "story" of 500 to 1,000 words. These articles are then edited in tight narrative style by ex-journalists from the *Times* of London and sent electronically to subscribers of Telerate Systems.

The information business has seen some failures. Four years ago, Washington, D.C., publisher Anthony Stout began a service called International Reporting & Information Sys-

tems. IRIS was built around a computer program, designed by a former CIA analyst, that turned out CIA-style scenarios on economics and politics. Former British Prime Minister Edward Heath came aboard as a consultant at a reported salary of \$100,000. But IRIS, housed in swank quarters across the Potomac River from Washington, spent more than it took in and went out of business.

Chase Manhattan Bank also was unsuccessful at selling country-risk information. Recalls an employee: "Countries who were clients of the bank did not appreciate having the bank hawk reports on their finances."

Even so, the information sellers are optimistic. Many businesses still remember being caught by surprise—and hurt—by the revolution that toppled the Shah of Iran. It only takes one Iran to remind the corporate world that surprises can be expensive. □

By RON SCHERER